

VII

On or about November 27, 1963, Salem Equipment, Inc., a corporation of Oregon having its principal place of business in Salem, Oregon, and defendant, Brunette Machine Works Ltd., entered into a technology exchange contract relating to lumber mill and logging products whereby Brunette can manufacture and sell Brunette's equipment in the United States by payment of a royalty. An incomplete copy of this contract is attached hereto as "Exhibit A." Negotiations for said contract included one or more visits by Harold G. Pousette, president of Brunette, with Earl R. Hitchman, president of Salem, at Salem's place of business in Oregon. As a consequence, John T. Watt, also an officer of Brunette, rough drafted an agreement which was then put into final form by Salem's attorney in Oregon.

VIII

The Salem-Brunette contract, Exhibit A, has not been modified and is still in full force and effect, and royalties have been and are being paid under the contract by defendant, Brunette Machine Works Ltd., to Salem Equipment, Inc., and visa versa.

IX

In accordance with the provisions of the Salem-Brunette contract, Exhibit A, defendant Brunette Machine Works Ltd., has supplied to Salem Equipment, Inc., complete technical assistance and information including all blueprints for the manufacture of the "Brunette" barker. Said technical assistance has included visits of Brunette personnel to Salem's prin-

cipal place of business in Oregon, and telephone calls back and forth between personnel of Brunette and Salem. Said barkers are advertised in Oregon and elsewhere in the United States as the "Salem-Brunette" debarker.

X

The first of said "Salem-Brunette" debarkers installed in the United States was at the operation of McGrew Brothers Sawmills, Inc., in Ashland, Oregon, and the ring and tool arms for this machine were manufactured by defendant Brunette Machine Works, Ltd. Several other "Salem-Brunette" debarkers have subsequently been manufactured by Salem Equipment, Inc. in Oregon and sold in Oregon and elsewhere in the United States.

XI

About a year prior to the signing of the Brunette-Salem contract, Exhibit A, defendant Brunette Machine Works Ltd., entered into a similar agreement with Carthage Machine Company, Inc., of Carthage, New York, which company and agreement were later acquired by American-Wilco, Inc. By its terms, this Carthage-Brunette agreement has expired, but is still being honored. The Carthage-Brunette agreement originally gave Carthage the entire United States, but was later modified to permit the contract with Salem Equipment, Inc. to be made for the Western United States. Subsequently, Salem and Carthage, with defendant's approval, worked out an arrangement whereby Salem can sell the "Salem-Brunette" debarkers throughout the United States by payment of

royalties to Carthage as well as to Brunette Machine Works Ltd. for sales in the extended territory.

XII

No debarkers have been manufactured by Carthage Machine Company, Inc., or American-Wilco, Inc. under said Salem-Carthage contract, but Carthage has sold in the United States "Brunette" barkers which were manufactured by defendant Brunette Machine Works, Ltd. Such machines have been advertised in the United States as the "Carthage-Brunette" debarker, and one of these was demonstrated at the 9th Southern Pine Association Machinery and Equipment Exposition held May 20-22, 1967, in New Orleans, Louisiana. Assisting in this demonstration was Ronald D. Pousette, vice-president of Brunette.

XIII.

The aforesaid "Brunette" debarkers, "Salem-Brunette" barkers, and "Salem-Carthage" debarkers each infringe Claim 12 of Patent No. 2,775,274 and Claims 1 through 10 of Patent No. 2,855,010.

XIV

Defendant Brunette Machine Works, Ltd. has transacted business in the State of Oregon and continued to transact business in Oregon with regard to and as a consequence of the Salem-Brunette contract, Exhibit A.

XV

Defendant Brunette Machine Works Ltd., has committed and continues to commit tortious acts within the State of Oregon by inducing infringement in Ore-

gon by Salem Equipment, Inc., of Claim 12 of Patent No. 2,775,274 and Claims 1 through 10 of Patent No. 2,855,010 and has benefited and continues to benefit from said infringement by way of royalties paid to Brunette by Salem in accordance with the Salem-Brunette contract, Exhibit A, and by way of technical information and assistance received from Salem.

XVI

Defendant Brunette Machine Works, Ltd. has willfully and knowingly infringed and/or induced infringement of Claim 12 of Patent No. 2,775,274 and Claims 1 through 10 of Patent No. 2,855,010 in the State of Oregon and elsewhere in the United States.

XVII

American-Wilco, Inc., has willfully and knowingly infringed Claim 12 of Patent No. 2,775,274 and Claims 1 through 10 of Patent No. 2,855,010 and defendant Brunette Machine Works Ltd., has induced such infringement and has benefited and continues to benefit from such infringement.

XVIII

Defendant has been given written notice of its infringement of Patent Nos. 2,775,274 and 2,855,010, but has nevertheless continued willfully and knowingly to infringe said patents.

WHEREFORE, plaintiff demands:

1. an injunction against continued infringement;
2. an accounting for damages;
3. an assessment of interest and costs against defendant;

4. an award of reasonable attorneys' fees; and
5. such other and further relief as justice may require.

Kenneth S. Klarquist

KENNETH S. KLARQUIST

BUCKHORN, BLORE, KLARQUIST

AND SPARKMAN

703 Board of Trade Building

Portland, Oregon 97204

226-7391

Of Attorneys for Plaintiff

EXHIBIT A TO COMPLAINT
CONTRACT

AGREEMENT made and entered into this 27th day of November, 1963, between Brunette Machine Works, Limited of New Westminster, British Columbia, Canada and having its principal place of business at 149 Nelson Street, New Westminster, British Columbia, Canada, hereinafter referred to as Brunette, and Salem Equipment, Inc., a corporation organized and existing under the laws of the State of Oregon, and having its principal place of business at 3371 "D" Street, N. E., Salem, Oregon, hereinafter referred to as Salem Equipment.

WHEREAS Brunette is now engaged in the manufacture and development in Canada of various products utilized in the lumber industry, and hereinafter referred to as the products, in which field it has acquired extensive production know-how and technical experience, and

WHEREAS Salem Equipment is now engaged in the manufacture and development in the United States of various products utilized in the lumber industry, and hereinafter referred to as the products, in which field it has acquired extensive production know-how and technical experience, and

WHEREAS Brunette and Salem Equipment are or may be licensed under certain letters of patent concerning the production of the products, and are empowered to extend such licenses, under certain conditions, to other companies, and

WHEREAS Brunette wishes to engage in the manufacture of lumber mill and logging products, and in that connection wishes to avail itself of such patent and technical information and know-how as is owned by or is available to Salem Equipment, and

WHEREAS Salem Equipment wishes to engage in the manufacture of lumber mill and logging products, and in that connection wishes to avail itself of such patent and technical information and know-how as is owned by or is available to Brunette, and

WHEREAS Brunette and Salem Equipment are the owners of certain patents which are used by Brunette or Salem Equipment in connection with the products, and

WHEREAS Brunette is willing to disclose to Salem Equipment, its agents and employees, such production know-how and technical experience, to extend such patent rights and production know-how to Salem

Equipment, to make such patents available to Salem Equipment in the lawful manner and generally to advise and assist Salem Equipment and its technical staff at reasonable times and in reasonable ways to facilitate Salem Equipment's objectives as stated above, and

WHEREAS Salem Equipment is willing to disclose to Brunette, its agents and employees, such production know-how and technical experience, to extend such patent rights and production know-how to Brunette, to make such patents available to Brunette in the lawful manner and generally to advise and assist Brunette and its technical staff at reasonable times and in reasonable ways to facilitate Brunette's objectives as stated above.

NOW, therefore, and in consideration of the covenants herein contained, the parties agree as follows:

1. *Manufacturing.* Brunette will give advice and assistance to Salem Equipment and Salem Equipment will give advice and assistance to Brunette in the establishment and manufacturing, and installation of machinery, equipment and other such manufactured products utilized in the sawmill and logging industry which each respectively manufactures.

2. *Technicians.* Brunette will furnish to Salem Equipment and Salem Equipment will furnish to Brunette technicians of such skill and in such number as may be required to discharge properly their respective responsibilities under this agreement. During the time that such technicians are either in Canada or in

the United States, their salaries will be assumed by the party requesting such assistance. Details regarding the selection of personnel for such assignments will be determined by mutual consent.

3. *Technical data.*

(a) Upon the effective date and thereafter during the term of this agreement, Brunette and Salem Equipment shall make available to each other full and complete technical information possessed on the date of this agreement by either party relative to the manufacture of their products.

(b) Brunette shall not, during the term of this agreement, disclose to any person, firm, or corporation in Canada, nor Salem Equipment shall, during the term of this agreement, disclose to any other person, firm, or corporation in the United States, any technical information possessed by either relating to the subject matter of this agreement.

(c) Nothing contained in this agreement shall be construed to require either party to disclose to the other any information which either shall have acquired from others if the disclosure thereof to either would breach any of the then existing obligations to others.

(d) Either party shall not use or disclose any information received from the other under this agreement for any purpose other than the manufacture in Canada by Brunette, and in the United States by Salem Equipment of the products under considera-

tion. Either party shall not knowingly disclose any information received from the other under this agreement, to any persons except those in their employ, to whom it shall be necessary in their opinion to make such disclosure to enable either to obtain the benefits of such information in the manufacture in their respective countries of products which are included within the subject matter of this agreement. The foregoing restriction on disclosures of information shall apply so long as the information has not properly come into the public domain by such disclosures in issued patents or otherwise.

4. *Royalty.*

(a) Beginning on the effective date and thereafter during the term of this agreement, Salem Equipment shall pay to Brunette as royalty and in full consideration for all benefits afforded under this agreement, except as specifically provided herein, within sixty (60) days after each calendar quarter, in United States dollars,

(Portion of Original Omitted)

Brunette shall pay to Salem Equipment as royalty and in full consideration of all benefits afforded under this agreement, except as

(Portion of Original Omitted)

mean gross receipts from sales, less only discounts, credits, and allowances actually granted to customers. In computing royalties hereunder, the conversion into

United States dollars or into Canadian dollars will be at the official rate of exchange prevailing in the United States and Canada on the date of remittance.

(b) Each quarterly payment made by Salem Equipment to Brunette or Brunette to Salem Equipment pursuant to the provisions of this agreement shall be accompanied by a statement in English signed by the chief fiscal officer of each, stating in reasonable detail the amount of each's net sales during such calendar quarter of the products for which royalty is payable hereunder.

(c) Each party shall have the right to designate a qualified accountant to inspect and audit the books, records, and operations of either at the expense of the requesting party for the purpose of verifying the accuracy of any statement furnished under any provisions of this agreement of the amount of any royalties payable by either under any provisions of this agreement.

5. *Arbitration.* All disputes arising in connection with this agreement which are not settled by agreement between the parties shall be finally settled by arbitration. The arbitration shall be held in the country of the party defending his position and conducted in accordance with the rules and procedures of the Commercial Arbitration Association of said country. Judgment upon the award rendered may be entered in any court having jurisdiction, or application may be made to such court for judicial acceptance of the award or order or enforcement as the case may be.

6. *Construction.* This agreement shall be construed, and all the rights, powers, and liabilities of the parties hereunder shall be determined, in accordance with the laws of the State of Oregon.

7. *Waiver.* No omission or delay of either party hereto in requiring due and punctual fulfillment by the other party of the obligations of such other party hereunder shall be deemed to constitute a waiver by either of its rights to require such due and punctual fulfillment or of any of its remedies hereunder.

8. *Nonassignability.* The benefits of this agreement or any part hereof may not be assigned by either party without the written consent of the other party.

9. *Exoneration.* In providing the technical information and technological assistance, either party and its employees are acting in an advisory capacity only. Neither party nor its related companies, nor their employees, shall have any responsibility for the design, construction, installation, operation, or production of plant and equipment contemplated under this agreement, nor for any decisions which may be made in connection therewith, whether upon the recommendation of such employees or otherwise.

10. *Term.* This agreement shall be in force so long as the parties have not terminated this agreement pursuant to provisions contained herein, and provided:

(a) that, if at any time either party to this

agreement shall have defaulted in the performance of his obligation hereunder, the other party may give written notice of such default, and if such default shall continue for a period of thirty (30) days after such notice, the party who has given such notice of default may thereupon terminate this agreement forthwith by giving to the other party hereto written notice of termination; or

(b) that if any proceedings in bankruptcy or in reorganization or for the appointment of a receiver or trustee or any other proceedings under any law for the relief of debtors shall be instituted by or against either party or if either of said parties shall make an assignment for the benefit of creditors, this agreement shall thereupon forthwith terminate, subject to the rights of the other party at its option thereafter to reinstate this agreement by giving the first mentioned party written notice of such reinstatement, providing such notice is given not less than thirty (30) days after the institution of such proceedings.

11. *Notices.* Any notice given by either party here-to to the other party shall be deemed to have been sufficiently given if sent by the mailing thereof by registered airmail, or by the sending thereof by cable or wireless and in such case confirmed by regular mail, to the address of such other party hereinafter set forth, unless and until another address shall have

been designated in writing by such other party for the purpose.

12. *Territory.* The field of manufacture and the sale of said products shall be confined and limited to the territory of the United States for Salem Equipment and the territory of Canada for Brunette, and shall not extend to any other territory or country; and each shall not have the right to have any of said products manufactured in any other country of the world for importation into said territory.

(Portion of Original Omitted)

IN WITNESS WHEREOF the parties hereto have caused this agreement to be executed in duplicate in their respective corporate names, by their respective corporate officers thereunto duly authorized, upon the date hereinabove set forth.

ATTEST: Salem Equipment, Inc.
Signed By *signed*

KOLISCH & HARTWELL

J. PIERRE KOLISCH

1004 Standard Plaza

Portland, Oregon 97204

(503) 224-6655

Attorneys for Defendants

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

KOCKUM INDUSTRIES, INC.,

v.

Plaintiff,) CIVIL ACTION
No. 69-42

BRUNETTE MACHINE) MOTION TO DISMISS
WORKS, LTD.,

Defendant.)

Defendant, Brunette Machine Works Ltd. moves the Court pursuant to Rule 12(b) of the Federal Rules of Civil Procedure for an order dismissing the action on the ground that venue is improper.

/s/ J. Pierre Kolisch

J. PIERRE KOLISCH

Attorney for Defendant

It is hereby certified that two copies of the foregoing Motion To Dismiss were mailed, first class, to Kenneth S. Klarquist, Buckhorn, Blore, Klarquist and Sparkman, 703 Board of Trade Building, Portland, Oregon 97204, of Attorneys for Plaintiff, this 6th day of February, 1969.

/s/ J. Pierre Kolisch

J. PIERRE KOLISCH

Attorney for Defendant

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON
KOCKUM INDUSTRIES, INC.,)

Plaintiff,) CIVIL ACTION
v.) No. 69-42

BRUNETTE MACHINE) ORDER
WORKS, LTD.,)
Defendant.)

Defendant's motion to dismiss, on the ground that
venue is improper, is granted, and the action is hereby
dismissed.

IT IS SO ORDERED.

Dated February 20, 1969.

Robert C. Belloni
United States District Judge

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

KOCKUM INDUSTRIES, INC.,)

Plaintiff,)

v.)

No. 24,105

BRUNETTE MACHINE
WORKS, LTD.,

Defendant.)

[April 20, 1971]

Appeal from the United States District Court
For the District of OregonBefore: DUNIWAY and CARTER, Circuit Judges,
and GRAY, District Judge*

PER CURIAM:

The appellant brought a patent infringement action in the United States District Court in Oregon against the appellee, a corporation whose principal place of business is in British Columbia, where it was formed. The appellee successfully moved for dismissal of the action on the ground of improper venue, and this appeal followed.

The court below presumably agreed with the appellee that the governing statute is 28 U.S.C. § 1400 (b), which provides that "Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant

* Honorable William P. Gray, United States District Judge, Central District of California, sitting by designation.

has committed acts of infringement and has a regular and established place of business." Inasmuch as the appellee neither "resides" in Oregon nor has "a regular and established place of business" there, § 1400(b) does not establish venue in that district.

However, the appellant relies upon 28 U.S.C. § 1391(d), which states that "An alien may be sued in any district."

This very same issue as to which of the two statutes is applicable in patent infringement actions against aliens, was presented in *Chas. Pfizer & Co. v. Laboratori Pro-Ter Prodotti Therapeutici*, 278 F. Supp. 148 (S.D. N.Y. 1967). Judge Mansfield there ruled that 28 U.S.C. § 1391(d) controls. We agree with that decision and with the carefully reasoned opinion upon which it is based.

We are mindful of the decision in *Coulter Electronics, Inc. v. A. B. Lars Ljungberg & Co.*, 376 F.2d 743 (7th Cir. 1967), cert. denied, 389 U.S. 859, 88 S. Ct. 103, 19 L. Ed. 2d 124 (1967), as was Judge Mansfield, but we decline to follow it, for the same reasons as those stated in *Pfizer* and in *SCM Corporation v. Brother International Corporation*, 316 F. Supp. 1328 (S.D. N.Y. 1970).

Accordingly, the order of the district court dismissing the action here concerned is reversed and the case remanded for further proceedings.

